

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 USNATO 5928

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TAGS: EFIN, MCAP, NATO

SUBJ: NAC MEETING OCTOBER 23, AGENDA ITEM II: BURDENSARING--
LAULAN CONSULTATIONS

REF: A) USNATO 5729; B) STATE 232772

SUMMARY. AT OCTOBER 23 NAC MEETING, LAULAN PRESENTED POSITIVE AND ACCURATE REPORT OF CONSULTATIONS JUST CONCLUDED IN WASHINGTON. ALTHOUGH PRESSED BY DE STAERCKE (BELGIUM) AND HARTOGH (NETHERLANDS) TO SPEAK IN TERMS OF PRECISE FIGURES AND CONCLUDE BURDEN-SHARING PROBLEM WAS BEHIND NATO, LAULAN SKILLFULLY STRESSED THAT WHILE GREAT BULK OF DATA PRESENTED BY ALLIES WOULD BE USED BY U.S. IN COMPLIANCE WITH JACKSON-NUNN, ADDITIONAL EXAMINATION AND VERIFICATION OF DATA REQUIRED BY BOTH U.S. AND EUROPEAN ALLIES (INCLUDING FRANCE). MCAULIFFE SUPPORTED LAULAN'S ECONOMIC DIRECTORATE AND ALLIED CAPITALS. END SUMMARY.

1. SYG LUNS OPENED OCTOBER 23 NAC DISCUSSION BY INVITING FORMER NATO ECONOMIC DIRECTOR LAULAN TO REPORT TO COUNCIL ON HIS VISIT TO WASHINGTON TO DISCUSS ALLIED MILITARY PROCUREMENT DATA WITH U.S. OFFICIALS DEALING WITH BALANCE OF PAYMENTS AND JACKSON-NUNN OFFSET.
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2. LAULAN SAID THAT AS ON HIS PREVIOUS MEETINGS WITH U.S. OFFICIALS HE FOUND GREAT UNDERSTANDING AND APPRECIATION OF WORK UNDERTAKEN BY ECONOMIC DIRECTORATE UNDER GUIDANCE OF SYG. LAULAN EMPHASIZED IT IMPORTANT TO RECALL WHY DATA COLLECTION

EXERCISE BY ECONOMIC DIRECTORATE WAS INITIATED, WHICH WAS PRECISELY BECAUSE BALANCE OF PAYMENTS DATA AVAILABLE TO U.S. THROUGH ITS NORMAL ACCOUNTING PROCEDURES DOES NOT PERMIT ISOLATION AND IDENTIFICATION OF ALL RECEIPTS ON MILITARY ACCOUNT. FOR THIS REASON, ECONOMIC DIRECTORATE HAS BEEN WORKING WITH ALLIED DELEGATIONS TO COLLECT DATA ON MILITARY PROCUREMENT TO SUPPLEMENT INFORMATION U.S. CAN IDENTIFY UTILIZING ITS OWN ACCOUNTING SYSTEM. LAULAN SAID OCTOBER 21-22 CONSULTATIONS IN WASHINGTON YIELDED VERY POSITIVE RESULTS, SINCE U.S. MEMBER OF DPRC WORKING GROUP ARE PLANNING TO USE TWO CATEGORIES OF DATA AS OFFSET IN COMPLIANCE WITH JACKSON-NUNN AMENDMENT. FIRST CATEGORY WOULD BE COMPRISED OF ALL RECEIPTS IDENTIFIABLE IN U.S. BALANCE OF PAYMENTS TO DETERMINE DEFICIT ON MILITARY ACCOUNT DURING FY 74. SECOND CATEGORY WOULD BE INFORMATION FROM OTHER SOURCES ELIGIBLE TO OFFSET REMAINING DEFICIT. LAULAN SAID HE WAS ENCOURAGED TO FIND U.S. OFFICIALS WOULD GIVE TOP PRIORITY IN THIS SECOND CATEGORY TO DATA SUPPLIED BY EUROPEAN ALLIES THROUGH ECONOMIC DIRECTORATE ON MILITARY PROCUREMENT IN THE U.S. PROVIDED THEY ARE WELL DOCUMENTED EVIDENCE OF TRANSACTIONS RATHER THAN MERE GLOBAL ESTIMATES. THE U.S. WILL BE ABLE TO USE THE GREAT BULK OF DATA SUPPLIED BY ALLIES IN THIS CATEGORY. U.S. OFFICIALS DEALING WITH BALANCE OF PAYMENTS, LAULAN ADDED, WILL CONTINUE TO ATTEMPT TO IDENTIFY MORE RECEIPTS IN U.S. ACCOUNTS ON BASIS OF INFORMATION SUPPLIED BY ALLIES. IN THIS EFFORT, U.S. MAY WANT TO FOLLOW-UP, IF NECESSARY, WITH VISITS TO ALLIED CAPITALS TO EXPLORE IN MORE DETAIL SOURCES OF DATA. U.S. OFFICIALS HAVE ALSO ASKED FOR CLARIFICATION AND SUPPLEMENTARY DATA ON INFORMATION SUPPLIED BY SOME ALLIES, AND ECONOMIC DIRECTORATE WILL BE IN TOUCH WITH APPROPRIATE DELEGATIONS IN THIS REGARD. THUS, LAULAN ADDED, THERE IS STILL WORK TO BE DONE ON BOTH SIDES OF ATLANTIC SINCE FINAL PRESIDENTIAL REPORT AS REQUIRED BY JACKSON-NUNN WILL BE NEXT FEBRUARY OR MAY RATHER THAN NOVEMBER. LAULAN CONCLUDED BY RECALLING EARLIER LETTER TO COUNCIL FROM AMBASSADOR RUMSFELD RAISING QUESTION OF PERMANENT MACHINERY WITHIN NATO TO KEEP TRACK OF ALLIED MILITARY PROCUREMENT IN U.S., AND LAULAN SUGGESTED ALL-CONFIDENTIAL

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ANCE MIGHT FIND MAINTAINING SUCH A SYSTEM USEFUL FOR VARIOUS PURPOSES.

3. MCAULIFFE (US) SAID U.S. IS PLEASED WITH CONSULTATIONS JUST CONCLUDED WITH LAULAN AND VOYADZIS. HE CONFIRMED LAULAN'S STATEMENT THAT USG WILL BE ABLE TO USE IN ONE FORM OR ANOTHER THE GREAT BULK OF DATA MADE AVAILABLE BY ALLIES AS OFFSET IN COMPLIANCE WITH REQUIREMENTS OF JACKSON-NUNN. MCAULIFFE ADDED THAT, AS LAULAN HAD MENTIONED, WE ARE NOT IN POSITION TO MAKE NOVEMBER REPORT TO CONGRESS FINAL CHAPTER OF STORY. U.S. AUTHORITIES ARE STILL DETERMINING TOTAL AMOUNT OF PAYMENTS ON MILITARY ACCOUNT THEY ARE ABLE TO VERIFY AS RECEIPTS DURING FY 74, AND THEY WILL ALSO BE ANALYZING DATA RECENTLY SUPPLIED OR TO BE PROVIDED BY SOME

MEMBERS OF ALLIANCE. MCAULIFFE EXPRESSED DEEP APPRECIATION OF U.S. FOR EFFORTS ON PART OF ALLIES IN MAKING PROCUREMENT DATA AVAILABLE, AND OUR GRATEFULNESS TO LAULAN AND ECONOMIC DIRECTORATE FOR PAINSTAKING WORK IN COLLECTING, ORGANIZING, AND COLLATING FIGURES IN A FORM USEABLE BY U.S. AUTHORITIES. MCAULIFFE NOTED THAT LACK OF STANDARDIZATION IN THE AREA OF ACCOUNTING PROCEDURES CAN BE A PROBLEM JUST AS IT IS IN THE MILITARY AREA. MCAULIFFE EXPRESSED SPECIAL APPRECIATION TO LAULAN FOR HIS PERSONAL EFFORTS IN THIS EXERCISE, AND ESPECIALLY HIS WILLINGNESS TO LEAVE NEW JOB TO TRAVEL ACROSS ATLANTIC TO NEW WORLD FOR THIS IMPORTANT MEETING. MCAULIFFE THANKED LAULAN FOR HIS DEDICATED EFFORTS ON BEHALF OF ALLIANCE OVER PAST FIVE YEARS AND WISHED HIM PERSONAL SUCCESS AND PROSPERITY IN NEW ENDEAVORS.

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INFO OCT-01 ISO-00 SS-15 NSC-05 CIAE-00 PM-03 INR-05 L-01

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C O N F I D E N T I A L SECTION 2 OF 2 USNATO 5928

4. AMBASSADOR DE STAERCKE (BELGIUM) SAID HE WISHED TO ASSOCIATE HIMSELF WITH EXPRESSIONS REGARDING SUCCESS OF WASHINGTON CONSULTATIONS AND WITH APPRECIATION FOR EFFORTS OF LAULAN AND ECONOMIC DIRECTORATE. DE STAERCKE ADDED, HOWEVER, THAT HE WOULD LIKE MORE PRECISE QUANTITATIVE REPORT AS TO WHETHER U.S. DEFICIT OF APPROXIMATELY \$1 BILLION HAS BEEN MET, TAKING INTO ACCOUNT \$1.1 BILLION OF US-FRG BILATERAL CREDITABLE FOR FY 74.

DE STAERCKE SAID HE WOULD LIKE SOMETHING CONCLUSIVE, NOT JUST AFFIRMATIVE. LAULAN, WHO HAD HOPED TO AVOID GETTING INTO DISCUSSION OF DATA IN REPORT TO COUNCIL, REPLIED HE WAS RELUCTANT TO SPEAK IN TERMS OF DOLLAR FIGURES BECAUSE JACKSON-NUNN COMPLIANCE EXERCISE NOT YET COMPLETED. AT THIS POINT, LAULAN SAID, ANY FIGURES CAN BE MENTIONED ONLY WITH HIGH DEGREE OF UNCERTAINTY. HE REMINDED COUNCIL THAT AFTER PUBLICATION OF LAST ECONOMIC DIRECTORATE REPORT (C-M(74)62) AND PRIOR TO CONSULTATIONS IN WASHINGTON VARIOUS CORRIGENDA HAD BEEN MADE, INCLUDING REDUCTION BY APPROXIMATELY \$100 MILLION IN MILITARY

PURCHASE BY ITALY. SOME ADDITIONAL MINOR ADJUSTMENTS MAY HAVE TO BE MADE. LAULAN STRESSED IMPORTANT POINT WAS THAT USG WOULD BE ABLE TO USE BULK OF ALLIED DATA IN SOME FORM OR ANOTHER IF JACKSON-NUNN COMPLIANCE. HE REITERATED DIFFERENCE BETWEEN TRANS-ACTIONS U.S. IS ABLE TO VERIFY AS RECEIPTS IN BOP ACCOUNT AND USE TO BE MADE OF REMAINING SUPPLEMENTAL DATA SUPPLIED BY CONFIDENTIAL

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ALLIES. AT PRESENT, LAULAN SAID, SOMEWHAT OVER HALF OF AMOUNT REPORTED BY ALLIES HAS BEEN TRACED THROUGH U.S. ACCOUNTS. IT OBVIOUS, LAULAN EMPHASIZED, THAT WHEN FINAL REPORT PRESENTED TO CONGRESS, IT WILL BE IMPORTANT FOR U.S. ADMINISTRATION TO HAVE TOTAL OF FIRST CATEGORY, VERIFIABLE TRANSACTIONS AS LARGE AS POSSIBLE. LAULAN ADDED THAT DIFFERENCE BETWEEN FIGURE PRESENTLY VERIFIABLE IN U.S. BALANCE OF PAYMENTS AND REPORTED PROCUREMENT BY ALLIES WAS NOT DUE TO NATURE OF PURCHASES. PROBLEM, HE RE-PEATED, WAS THAT STANDARD U.S. BALANCE OF PAYMENTS RECORDING

SYSTEM DOES NOT ISOLATE ALL MILITARY TRANSACTIONS, WHICH IS REASON INITIALLY FOR INVOLVEMENT OF ECONOMIC DIRECTORATE.

5. DE STAERCKE RESPONDED THAT NEVERTHELESS IT WAS IMPORTANT FOR PARLIAMENTARIANS IN EUROPE AS WELL AS U.S. TO KNOW THAT IDENTIFIABLE PURCHASES TO OFFSET U.S. MILITAR EXPENDITURES HAVE BEEN MADE EVEN THOUGH THEY MAY NOT BE COMPLETELY VERIFIABLE IN U.S. ACCOUNTS. HE EXPRESSED HOPE THAT CONCLUSION IN WRITTEN REPORT OF CONSULTATIONS BY ECONOMIC DIRECTORATE WOULD NOT BE QUESTION OF WHICH ALLY DOES MORE OR LESS ON MILITARY ACCOUNT, BUT RATHER THAN THESE IS A DISTRIBUTION OF EFFORT BASED ON "EQUITY AND JUSTICE." DE STAERCKE, SUPPORTED BY HARTOGH (NETHERLANDS), SAID THAT ALL ALLIES HAVE SUPPLIED PROCUREMENT DATA AND HAVE ACCEPTED MILITARY EXPENDITURE FIGURES AS ESTIMATED BY U.S. THEREFORE, COUNCIL SHOULD CONSIDER EXERCISE CLOSED. IN ADDITION, DE STAERCKE AND HARTOGH SUGGESTED THAT SINCE BURDEN-SHARING PROBLEM HAD BEEN SO GLARINGLY PUBLICIZED BY U.S. IN PAST, IT MIGHT BE BENEFICIAL TO STATE PUBLICLY THAT PROBLEM HAS BEEN EQUITABLY SOLVED.

6. LAULAN CAUTIONED THAT WHILE MAJOR PORTION OF EXERCISE HAS BEEN COMPLETED BY ECONOMIC DIRECTORATE, U.S. IS STILL EXAMINING ITS OWN ACCOUNTS AND FIGURES SUPPLIED BY ALLIES AND MAY HAVE SPECIFIC QUESTIONS TO CLARIFY WITH SOME ALLIED CAPITALS WITH HELP OF ECONOMIC DIRECTORATE. LAULAN SAID HE WISHED TO STRESS ONCE AGAIN THAT BULK OF DATA SUPPLIED BY ALLIES WAS ACCEPTABLE TO U.S. FOR USE IN OFFSET PACKAGE, AND THAT U.S. AUTHORITIES EXPRESSED GRATITUDE FOR EFFORT UNDERTAKEN. MCAULIFFE ADDED THAT EFFORT OF ALLIES WOULD BE MATTER OF PUBLIC RECORD THROUGH REPORTS OF PRESIDENT TO CONGRESS, ALTHOUGH IT IMPOSSIBLE TO SAY AT THIS POINT WHEN FINAL REPORT WOULD BE POSSIBLE. CONFIDENTIAL

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7. CONCIL DISCUSSION THEN TURNED TO BRIEF EXCHANGE REGARDING REFERENCE IN C-M(74)62 TO FRENCH MILITARY PROCUREMENT IN U.S. DE ROSE (FRANCE) SAID THAT DATA RELATING T FRENCH PROCUREMENT SHOULD NOT BE INCLUDED IN TABLE ENTITLED "BURDENSARING," AND THAT REPORT SHOULD STATE FRANCE "DID NOT DENY" RATHER THAN "CONFIRMED" ESTIMATES OF FRENCH MILITARY PROCUREMENT. LAULAN RESPONDED BY STATING THAT ECONOMIC DIRECTORATE WILL PROBABLY BE IN POSITION TO REVISE UPWARDS ITS ESTIMATES OF FRENCH MILITARY PROCUREMENT, BASED ON RECENT U.S. DATA AVAILABLE BREAKING DOWN BY CATEGORY TOTAL ANNUAL FRENCH IMPORTS FROM THE U.S. DE ROSE SCOWLED, BUT DID NOT REPLY.

8. MEETING CONCLUDED WITH TRIBUTES OF APPRECIATION AND BEST WISHES TO LAULAN FOR EFFORTS IN BURDENSARING PROBLEM AND THROUGHOUT HIS FIVE YEARS OF SERVICE TO ALLIANCE AS NATO'S ECONOMIC DIRECTOR.MCAULIFFE

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